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TREASURY FOR U/S LEVEY, RACHEL LOEFFLER, BAKER AND GAERTNER  
NSC FOR GRAHAM AND MCKIBBEN

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TAGS: [KTFN](#) [EFIN](#) [ETTC](#) [ECON](#) [PTER](#) [PREL](#) [RS](#)  
SUBJECT: TREASURY U/S LEVEY'S MEETING WITH RUSSIA'S FEDERAL  
FINANCIAL MONITORING SERVICE ON NORTH KOREA

Classified By: ECON M/C Pam Quanrud, Reasons 1.4 (b/d).

Summary

1. (C) In a meeting on October 24 with Treasury Under  
Secretary Stuart Levey, Federal Financial Monitoring Service

SIPDIS  
(FFMS) Chief Viktor Zubkov said he shared the USG's concern  
about North Korean financial flows. He recounted how the  
FFMS had investigated information on North Korean entities  
that USG officials had provided in the last year but found no  
evidence of financial relationships with Russian banks.  
Nevertheless, Russia's National Security Council was  
considering the development of a legal basis to freeze  
accounts associated with WMD proliferation. End Summary.

DPRK Interest in Russian Banks

2. (C) U/S Levey described how the strong action the USG  
took against one of North Korea's favored banks, Banco Delta  
Asia in Macau, had persuaded countries throughout Asia to  
prohibit North Korea's access to their banking sectors. He  
presented information that indicated North Korean entities  
were trying to use Russian banks to facilitate their illicit  
activities. U/S Levey observed that fighting proliferation  
financing had been a priority during the 2005 G8 Summit and  
expressed hope that G8 countries would demonstrate leadership  
in cutting North Korea's access to financial markets for  
illicit purposes, regardless of the implementation details  
for UNSC Resolution 1718.

Financial Intelligence Unit

3. (C) Federal Financial Monitoring Service (FFMS, Russia's  
FIU) Chief Zubkov said he was not aware of ongoing financial  
flows going to or coming from North Korea. He had  
investigated information that Treasury Assistant Secretary  
Danny Glaser provided last year but had discovered no  
accounts or transactions between North Korean entities and  
Russian banks. Zubkov added that the FFMS receives  
approximately 30,000 mandatory and suspicious transaction  
reports per day. The scope of the reports is comprehensive,  
covering operations by banks, credit institutions, realtors,  
and foreign exchange houses.

4. (C) Zubkov said that he shared the USG's concern about

the origin and destination of North Korean money. He indicated the broader GOR was also interested in the issue, and that the National Security Council had been discussing forming a legal basis for freezing accounts linked to WMD proliferation. The FFMS could freeze accounts and transactions generated by or destined for any of the entities on the FFMS-proscribed entities list. The FFMS had recently compiled the 14th edition of its proscribed entities list and would publish the 15th edition following the Presidential Decree on implementing UNSC Resolution 1718.

¶5. (C) Zubkov explained that under any of the following five criteria individuals and organizations could be placed on the FFMS proscribed entities list. Appearance of an individual or organization on a recognized international organization designation, such as the UN 1267 Sanctions Committee, constitutes the first criteria. Second, placement on the entities list could come as the result of a Russian court decision. Third, the Prosecutor General can identify individuals and organizations for inclusion. Fourth, Ministry of Interior investigations serve as a basis for inclusion if subsequent court decisions do not dismiss the investigation's findings. Finally, if Russia has a bilateral information sharing agreement, with a reciprocity clause, then an individual's or organization's presence on the counterpart country's FIU list could be sufficient for inclusion on the FFMS list. Zubkov said the FFMS will freeze an account associated with a proscribed entity while the information is sent to the Prosecutor General for investigation. He noted that the proscribed list stands at approximately 4,500 companies, organizations, and individuals.

WMD Proliferators  
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¶6. (C) Zubkov commented that the FFMS has not focused on proliferators of WMD, such as the North Korean entities

designated under E.O. 13382. Apart from the Presidential Decree on implementation of UNSC Resolution 1718, freezing the financial assets of such entities would most likely be undertaken on a case-by-case basis following specific information sharing from the U.S. The current legal framework in Russia did not easily lend itself to systematic action against these entities. He expressed hope that U.S. and Russian experts could strengthen cooperation on this issue and not wait on international decisions before determining how to mitigate this threat.

Comment  
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¶7. (C) Zubkov appeared genuinely interested in cooperation, and acknowledged that information sharing with the USG has helped shut down money laundering operations in Russia. One challenge will be to present North Korean account and transaction information in sufficient detail to allow the FFMS to take action. We will also urge senior GOR officials to make cooperation on the money laundering front a policy priority. End Comment.

¶8. (U) This message held for Under Secretary Levey's clearance.  
BURNS